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UNITED STATES DEPARTMENT OF AGRICULTURE
✓ Rural Electrification Administration
Washington 25, D. C.

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Reference
Step 5, Page 13
Procedures Manual

✓ ELECTRIC LOAN PROCEDURE MEMORANDUM NO. 6

To : All Holders, Section 4 Procedures Manual
From : Richard A. Dell, Chief
Applications and Loans Division
Subject: Interest and Amortization Form AL-51B

It is noted that with regard to the amortization of outstanding notes for previous loans certain conditions should be taken into consideration:

1. Where an individual note has been paid off in full, the amount of this note may be deducted from the amortization schedule; however,
 - (a) The fact that such note has been repaid in full should be supported by a copy of a memorandum from the Accounting and Auditing Division, which will be made an exhibit in the loan docket.
 - (b) It is noted further that this amount (of the note repaid) will have no bearing (corresponding or 80% reduction) in plant value. The full amount of all notes will be the basis of computing plant value, as in the past.
2. As indicated above, this will only apply to notes paid in full. The amounts of partial repayment on notes may not be considered.

The reason that notes partially repaid may not be considered is that:

the amortization factor, including payments of principal and interest (4.0% for 35 year, 2-year accumulation period; 4.1% for 35 year, 5-year accumulation period notes, etc.) is based on the average annual payment over the 35-year period. As long as any portion of the note is still unpaid, the annual payment is still due.

Richard A. Dell

